

The Newly Formed Criminal Investigations Branch

by Benjamin Walker
Special Projects Analyst
Criminal Investigations Branch

The primary mission of the California Department of Insurance is to oversee the insurance industry and to protect the state's insurance consumers. To assist with this charge, the Department maintained two separate entities within its organizational structure, the Fraud Division and the Investigations Bureau. To better protect the consumers against insurance fraud, irregular insurance rates, insurer financial instability, and to provide accountability to management, Commissioner Harry W. Low instituted a reorganization of the Investigations Bureau and the Fraud Division. On October 2, 2000, the Commissioner consolidated the two entities into the Criminal Investigations Branch. Together, these two entities encompass both criminal fraud and civil investigations.

The newly formed Criminal Investigations Branch is the largest single component within the Department with over 15 regional offices. The reorganization of the two investigative units brings together two distinct and separate types of investigators under one umbrella. The Fraud Investigators handle tasks of a criminal nature that relate to fraudulent activities surrounding insurance. Their peace officer status gives them the authority to handle such tasks. The former Investigations Bureau Investigators handle civil cases that pertain to agents and/or brokers licensing. These investigators are non-peace officers, which

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Fraud Division Reinvigorates Its Computer Forensic Team

by Mark Lowder, SSMH
Criminal Investigations Branch

For several years now the Criminal Investigation Branch's Fraud Division has devoted time, equipment and staff to its investigations in the form of a Computer Forensic Team. This team, which conceptually was composed of a member within each regional office, would allow investigators to bolster their investigative efforts through forensic examinations of computers seized during their investigations. The value of computer forensic work has become well established during the Division's many investigations. In 1998, for example, Division investigators worked on an insurance fraud case concerning a \$1 million claim for the loss of a recreational motor yacht. The suspect in this particular case was linked to the crime by use of an in-house computer forensic effort. The suspect had provided an informant with a document linking him to the purposeful sinking of the sailing vessel, and therefore, the following \$1 million fraudulent insurance claim. The investigators had a hard copy of this document from the informant, but they had to locate this document in the suspect's computers to support their case. Unfortunately the suspect had over 50 computers at his offices and his residence. Using members of the Computer Forensic Team, investigators were able to search the computers at the locations and eventually identify the document within one of the computers at his residence, leading to the eventual conviction of the suspect.

But until recently, the Computer Forensic Team encountered needs that strained its capabilities. In 2000 the team lost its supervisor, who retired. In addition, other members of the team rotated out of their positions to other jobs both in the Division and elsewhere in law

enforcement. Training in computer forensics, which had never been standardized, had not been received by all of the members. Equipment, which lacked standardization as well, was not consistent throughout the offices; while some offices had equipment, others lacked the appropriate equipment or had no equipment at all. In fact, some offices did not even have a member of the Computer Forensic Team on its staff.

However, circumstances are changing for the better. The Department of Personnel Administration has approved a request by the Fraud Division for a full-time supervisor for the Computer Forensic Team. In addition, the Fraud Division has submitted a Feasibility Study Report (FSR) to the Department of Finance and the Department of Information Technology for their approval. This FSR, which is required for the purchase of automated systems or equipment, outlines the Division's need for both equipment and training. The equipment portion of the request, which totals over \$244,000, will provide up-to-date computer forensic equipment for each of the nine offices and division headquarters. This equipment

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‘Dr. Bill’s’ Medical Corporation Guilty of Adulterating Children’s Vaccinations

*by John Auvinen
Supervising Fraud Investigator I
Martinez Regional Office*

Marin County is best known, by Californians, for its suburban residential communities, its recreational areas such as China Camp State Park, Point Reyes National Seashore, and the Golden Gate National Recreation area. In this beautiful serene county with its picturesque sunsets along the Pacific Ocean silhouetting the Golden Gate Bridge is a quiet community which held a tiny secret that exploded.

Dr. William Liebman known as “Dr. Bill” in Marin County, a community children’s physician who gained the trust of many parents and children for many years was soon to be exposed of a dark secret. His honest and caring attributes mirrored that of a loving father. Dr. Liebman’s pediatric practice was a very successful medical business, which served several thousand patients over the years. It wasn’t until November 1999 that many residents in Marin County opened their local newspaper and became shocked. The local newspaper revealed that the Marin County District Attorney’s Office had charged Dr. Liebman with a criminal complaint for endangering the lives of children by adulterating immunization vaccinations. The deliberate dilution of vaccines in question were immunizations for hepatitis, whooping cough, and many others that have been developed to protect a young child from illness.

In the summer of 1999, investigators from the Marin County District Attorney’s Office opened an investigation on Dr. William Liebman based on a tip. In June 1999, the District Attorney’s Office contacted the Department of Insurance, Fraud Division’s San Francisco Bay Area Regional Office for assistance in the case. Search

warrants were served at Dr. Liebman’s offices in San Rafael and Novato by the District Attorney’s Office, the California Medical Board, and the Department of Insurance, Fraud Division. Through the complicated investigation, the Fraud Division was able to access Dr. Liebman’s



computer system with the assistance of its Computer Forensics Team. The team searched through the patient and insurance company records for valuable information needed to support the District Attorney’s charge. Fraud Division’s San Francisco Bay Area Regional Office coordinated a detailed follow-up investigation on all claims made by Dr. Liebman’s office for hundreds of vaccinations given to children within the county.

The theory “services not rendered” was the catalyst behind the insurance fraud investigation of Dr. Liebman. The medical corporation provided vaccinations that were diluted with a foreign substance and then filed an insurance claim stating that a “real” vaccination was given. This type of action is a fraudulent claim. The District Attorney’s Office Investigators seized several vials of vaccine during the service of the search warrant. In the months that followed, extensive tests were

performed on the seized vials by the Food and Drug Administration’s forensic laboratories. The results revealed that several vaccine vials were adulterated and diluted with a foreign substance. This was a definite indication that anyone who received an injection from those vials may not have received the correct dosage of medication that was suppose to provide protection from certain diseases.

On June 12, 2000, Dr. William Liebman, the sole shareholder and owner of William Liebman M.D. Incorporated, entered a plea in the Marin County Superior Court on behalf of his corporation. The medical corporation pled guilty to one felony count of Health and Safety Code section 111300 (adulterating drugs or devices). The corporation was ordered to pay a \$20,000 fine and restitution to several patients totaling \$13,445. It is also likely that four insurance companies will share in the restitution as well.

Due to the early resolution of the criminal case, the anticipated insurance fraud charges against Dr. Liebman were not formally added. As part of the plea agreement offered by the court, Dr. Liebman agreed to permanently surrender his medical license. “Dr. Bill” will never treat children again.

DISTRICT ATTORNEYS SPEAK OUT



Workers' Compensation Premium Fraud

by Dominic Dugo
Assistant Chief Insurance Fraud Division,
San Diego District Attorney's Office



Companies that deliberately avoid paying the proper workers' compensation premiums are considered to be in violation of the California Insurance Code Sections 11760 and 11880. This violation carries a serious penalty of up to five years in prison or a fine not to exceed \$50,000, or double the value of the fraud, or both imprisonment and a fine. A successfully

prosecuted San Diego case involved all three methods of premium fraud. In 1997, the San Diego County Grand Jury indicted three individuals for premium fraud. This massive case, investigated by the California Department of Insurance, and prosecuted by the San Diego District Attorney's Office, involved a theft of over \$1.4 million from State Compensation Insurance Fund (SCIF) and Golden Eagle Insurance between 1993-1996. Search warrants resulted in a truckload of evidence. Discovery exceeded 12,000 pages.

This case involved one company with three names (D.G. Construction, D.G. Incorporated, and Robertson Construction) and four insurance policies (one with SCIF and three with Golden Eagle). D.G. Construction was insured in policy #1 with SCIF from 1991 to 1994. Between April 1993 and June 1994, the owners "underreported payroll" to SCIF. D.G. Construction reported \$463,954 of payroll to SCIF when in fact the true payroll

reported to the Employment Development Department (EDD) was \$853,987.

Additionally, during policy #1, D.G. Construction also committed premium fraud by "misclassifying" the hourly rate of their carpenters in order to obtain lower rates. Between July 1992 and August 1993, D.G. Construction claimed all carpenters earned \$19/hr. However, when seven carpenters were injured during this time, it was discovered that they earned approximately \$10/hr. Policy #1 was canceled by SCIF.

Thereafter, the owners of D.G. Construction purchased workers' compensation insurance, policy #2 and later #3, with Golden Eagle for D.G. Incorporated. Between July 1994 and February 1996, payroll was underreported to Golden Eagle. D.G. Incorporated reported \$809,548 of payroll to Golden Eagle when in fact the true payroll reported to EDD

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San Jose Couple Convicted of Grand Theft

by David Fortman
Senior Investigator, Investigation Bureau
San Francisco Regional Office

In August 1999, the California Department of Insurance (CDI) received report of a suspected California Insurance Code violation. This report allegedly stated that a San Jose insurance agency, ISU Diligent Insurance Agency (ISU), submitted premium payments to an insurance company which were returned by ISU's bank due to insufficient funds. CDI Investigators immediately responded to ISU whereupon the agency's owners, Robert and Kimberly Morgan, were asked about their agency's trust account problems. During the initial meeting with investigators, the Morgans admitted they had committed a series of illegal acts, including premium theft and fraudulent premium financing.

The Morgans concluded that their actions resulted in a current \$1.2 million trust account shortage.

CDI Investigators continued their investigation with cooperation from the Morgans and their attorney. In the following three weeks, the investigators learned that during the past two years approximately \$10 million was embezzled through the fraudulent premium financing scheme, and over \$4 million was stolen from various insureds, including several annuitants. Many insureds, to include security guard companies, real estate developers, schools, and others, suffered major losses. Also uncovered in the investigation was evidence that the Morgans and others were involved in additional illegal schemes. These schemes stemmed from illegal product importation, acting as an Insurer, and diversion of

money to off shore accounts through a series of dummy companies and corporations and to other businesses in California.

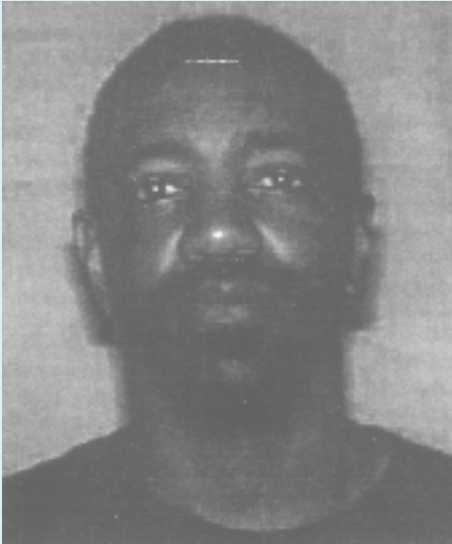
On September 13, 1999, CDI investigators executed various search warrants and served a Cease and Desist Order on the Morgans, which effectively closed their agency. The agency's license was surrendered shortly thereafter.

During subsequent meetings between the Morgans' attorneys and the Santa Clara County District Attorney's Office, arrangements were made for the surrender of the Morgans into custody following the Christmas holidays. During the holiday season, a series of events occurred. By using forged docu-

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Have You Seen These People?



KEITH GORE

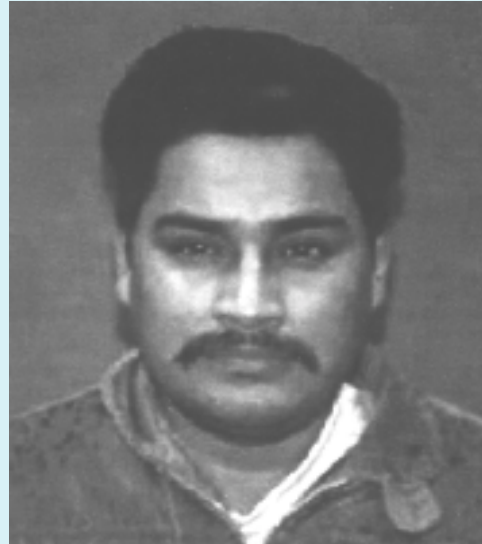
KEITH GORE

Male Black Ht: 6' 1" Wt: 190 lbs.
Hair: Brown Eyes: Brown DOB: 10/06/63

Crime Summary: On September 9, 1999, Gore filed a claim with Mercury Insurance alleging his car had been stolen in a carjacking. Investigation showed that Gore's car had already been destroyed in an arson fire prior to the alleged carjacking incident. Gore attempted to collect \$13,141 for the claim in which he was not entitled.

Remarks: Gore is wanted on a Riverside County Warrant for Insurance Fraud and Attempted Grand Theft. Bail is set at \$15,000

Fraud Investigator: Shawn Curtis
(909) 944-0437



MARTIN ARRENDONDO LUNA

MARTIN ARRENDONDO LUNA

AKA: Martin ARRENDONDO
Male Caucasian Ht: 5' 8" Wt: 175 lbs.
Hair: Black Eyes: Brown DOB: 05/25/64

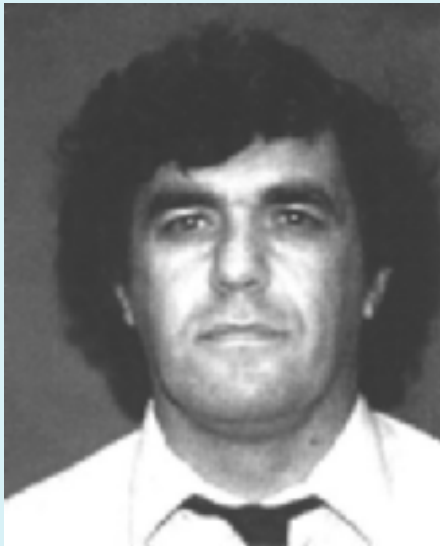
Crime Summary: Arrendondo was involved in an automobile accident while working. He advised his doctors and employer that he was suffering constant pain in the back area. He stated that he was limited in his ability to bend, push, pull, twist and perform heavy activity without experiencing pain. The suspect was later videotaped lifting and carrying a couple of couches without any apparent pain and/or restrictions in his movements. On May 5, 1998, two counts of 1871.4 (a) (1) Insurance Code, one count of 487 (a) and 118 of the California Penal Code, each a felony, were filed on Arrendondo, and a Warrant for his arrest was issued by the Fresno County DA's Office. Bail was set at \$21,000.

Remarks: It was discovered that suspect moved to Marshall, Minnesota looking for work. Suspect returned to Sacramento, California and is now looking for work.

Fraud Investigator: Mike Villanueva
(209) 445-5026

The Other Side

MOST WANTED



NEIL FRANCIS GREEN

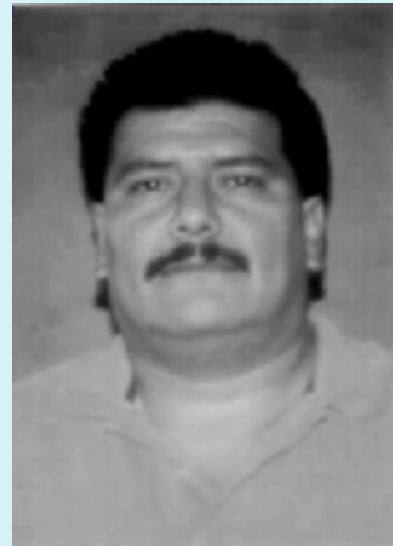
NEIL FRANCIS GREEN

Male Caucasian Ht: 5' 10" Wt: 175 lbs.
Hair: Brown Eyes: Blue DOB: 02/09/50

Crime Summary: Neil Francis Green conspired with Robert H. Drexle (prosecuted) to commit the crime of commercial bribery against the Fireman's Fund Insurance Company. Green, a former employee of Fireman's Fund, assigned unnecessary private investigations to Drexle, owner of Star Investigations. Star Investigations was paid a total of \$161,039 of which at least \$44,039 in kickback was paid by Drexle to Green. On September 22, 1993, the San Bernardino County District Attorney's Office issued an arrest Warrant for Neil Francis Green in relation to charges of Commercial Bribery and Grand Theft.

Remarks: Mr. Green had fled to Sydney, Australia and his exact whereabouts is unknown. Bail is set at \$250,000 on the Warrant.

Fraud Investigator: Roxanne Staff
(714) 456-1810



JIMMY ANDREWS TORRES

JIMMY ANDREWS TORRES

Male Hispanic Ht: 5' 11" Wt: 215 lbs.
Hair: Black Eyes: Brown DOB: 08/07/59

Crime Summary: Jimmy Torres was employed as a Police Officer for the San Bernardino Community College District. During his employment, on April 14, 1994, he was injured after a fall from a bicycle while on patrol. While still collecting vocational rehabilitation and disability benefits, he was found to have been working as a paralegal. He lied about his true employment status at a deposition and submitted altered payroll records from the law firm where he was employed.

Remarks: On November 30, 1999, Torres was charged with three counts of Workers' Compensation Insurance Fraud, three counts of Perjury and one count of Grand Theft by the San Bernardino County District Attorney's Office. Bail is set at \$25,000.00. Efforts to locate Torres were made in December 1999 and January 2000.

Fraud Investigator: Kurt Stoutsenberger
(909) 944-0437

Arrest List Legend

ARRESTEE NAME

- Date of Birth
- Place of Arrest
- Amount of Loss
- Date of Arrest
- Insurance Co. Name
- Program

N/A = Information not available

JANUARY 2001

ACCETTA, EMMANUEL ANTHONY

- DOB: 02/11/68
- Rancho Palos Verdes, CA
- \$29,015.59
- 05/27/99
- Interinsurance Exchange of the Automobile Club
- Automobile

ALLEN, JENNELLE NANLEEN

- DOB: 04/15/62
- Madera, CA
- \$15,010.68
- 09/24/98
- Arkansas Claims Mgmt. Inc./York Claim Services
- Workers' Compensation

AMMONS, LYNNETTE AVONNE

- DOB: 12/04/63
- Inglewood, CA
- \$3,143.75
- 02/26/99
- Coast National/American Bankers Insurance
- Automobile

AWAD, AIDA KAMAL

- DOB: 04/03/56
- Carlsbad, CA
- N/A
- 02/12/99
- American International Group
- Automobile

AWAD, DWAYNE GEORGES

- DOB: 06/15/77
- Carlsbad, CA
- N/A
- 02/12/99
- American International Group
- Automobile

CALDWELL, CHADAWNDRA MARIE

- DOB: 11/25/76
- San Leandro, CA
- \$26,939.38
- 02/10/97
- National American Insurance of California
- Workers' Compensation

CHONG, SIU KWAN

- DOB: 12/18/73
- Alhambra, CA
- N/A
- N/A
- N/A
- Automobile

CORNELIUS, BARBARA JEAN

- DOB: 06/11/42
- Bakersfield, CA
- \$250,000.00 +
- 07/01/95
- State Compensation Insurance Fund
- Workers' Compensation

COX, BRETT LEROY

- DOB: 09/07/63
- Fresno, CA
- \$7,715.00
- 04/13/98
- CSAA Insurance
- Automobile

DOBY, CAMERON DEANDREW

- DOB: 09/23/80
- Lakewood, CA
- \$16,000.00
- N/A
- Budget Rent A Car
- Automobile

FAUSTO, JESUS HERNANDEZ JR

- DOB: 11/24/76
- Moorepark, CA
- \$53,003.58
- 05/05/98
- Infinity/20th Century Insurance
- Automobile

GIRGIS, EUGENE

- DOB: 01/05/70
- Simi Valley, CA
- \$53,003.58
- Infinty/20th Century Insurance
- Automobile

GRAHAM, ANTHONY O JR

- DOB: 11/06/79
- Inglewood, CA
- \$3,143.75
- 02/26/99
- Coast National/American

Bankers Insurance

- Automobile

HART, LONZOE RICHARD

- DOB: 04/01/36
- Bakersfield, CA
- \$250,000.00+
- 07/01/95
- State Compensation Insurance Fund
- Workers' Compensation

HERMOSO, JOHN MICHAEL

- DOB: 01/04/61
- Rancho Cordova, CA
- \$130,015.93
- 05/04/96
- Farmers-Safeco/Mini Co.
- Automobile

HILL, DAVID REESE

- DOB: 05/24/67
- Oakland, CA
- \$1,700.00
- 08/26/00
- Coast National Insurance
- Automobile

HOSHALL, WILLIAM GREGORY

- DOB: 01/12/60
- El Dorado Hills, CA
- \$130,015.93
- 05/04/96
- Farmers-Safeco/Mini Co.
- Automobile

HUANG, JASMINE XUE XIA

- DOB: 11/07/71
- Alhambra, CA
- N/A
- N/A
- N/A
- Automobile

HULL, JULEY EDEN

- DOB: 07/12/62
- San Ramon, CA
- \$129,122.49
- 10/11/96
- Bragg & Associates
- Workers' Compensation

LAM, OAHN KIEY

- DOB: 08/10/80
- San Diego, CA
- N/A
- N/A
- N/A
- Automobile

LOPEZ, JESUS ANTONIO

- DOB: 12/25/68
- San Ysidro, CA
- N/A
- N/A
- N/A
- Automobile

MCNAIR, VITA RENEE

- DOB: 12/06/56
- Los Angeles, CA
- \$3,143.75
- 02/26/99
- Coast National/American Bankers Insurance
- Automobile

MORALES, GILBERTO G

- DOB: 07/26/62
- Daly City, CA
- \$11,172.90
- 06/18/98
- Superior National Insurance
- Workers' Compensation

MOSS, MARIA DELASS

- DOB: 03/24/68
- Los Angeles, CA
- N/A
- 08/20/00
- State Farm Insurance
- Automobile

NEHER, THEODORE PATRICK

- DOB: 02/09/61
- Sacramento, CA
- \$130,015.93
- 05/04/96
- Farmers-Safeco/Mini Co.
- Automobile

NUNEZ, FERNANDO ESTUPINAN

- DOB: 12/07/72
- Phoenix, AZ
- N/A
- N/A
- N/A
- Automobile

PALACIOS, JUAN JOSE

- DOB: 01/20/69
- Los Angeles, CA
- N/A
- N/A
- N/A
- Workers' Compensation

PEREZ, ALEJANDRO

- DOB: 09/05/76
- Reedley, CA
- \$1,818.00
- 09/12/99
- Golden Eagle Insurance
- Workers' Compensation

PRASKY, MYLENA MUNGUA

- DOB: 01/10/63
- Chula Vista, CA
- N/A
- N/A
- N/A
- Automobile

PRASKY, RONALD ALLEN

- DOB: 02/02/70
- Chula Vista, CA
- N/A
- N/A
- N/A
- Automobile

PRUITT, MELISA

- DOB: 01/11/71
- Bakersfield, CA
- N/A
- 12/28/99
- Sterling Casualty
- Automobile

RICHEY, KENNETH ALLEN

- DOB: 04/06/65

- Ventura, CA
- \$10,000
- 03/30/99
- Superior National/Kemper
- Workers' Compensation

SANTAMARIA, ELVIRA MARCELA

- DOB: 06/27/78
- Baldwin Park, CA
- \$2,408.68
- 01/04/00
- Farmers Insurance
- Automobile

SHUM, HIU SHAN

- DOB: 04/14/78
- San Gabriel, CA
- N/A
- 09/16/98
- Infinity Insurance
- Automobile

SLIDER, DION JAHMAL SR.

- DOB: 11/17/71
- Encino, CA
- \$53,003.58
- 05/05/98
- Infinity/20th Century Insurance
- Automobile

STEELE, JONATHAN

- DOB: 03/14/62
- North Hollywood, CA
- \$30,000.00
- 10/06/01
- Budget Rent A Car
- Automobile

TORRES, EDWARD L

- DOB: 06/05/52
- Newbury Park, CA
- \$55,000.00
- 08/26/99
- Superior National/Kemper
- Workers' Compensation

TSAI, YAWHONG

- DOB: 08/27/78
- Alhambra, CA
- N/A
- 09/16/98
- Infinity Insurance
- Automobile

TSAI, TSUNG LIN

- DOB: 08/06/61
- Alhambra, CA
- N/A
- 09/16/98
- Infinity Insurance
- Automobile

TURK, HAROLD ELLIOTT

- DOB: 05/13/72
- Sherman Oaks, CA
- \$53,003.58
- 05/05/98
- Infinity/20th Century Insurance
- Automobile

VASQUEZ, BAYRON LEONIDAS

- DOB: 11/29/63
- San Diego, CA

- N/A
- 10/02/98
- Zurich American Insurance
- Workers' Compensation

**WILSON, DEVORE
TREVON**

- DOB: 08/05/79
- Redlands, CA
- \$3,143.75
- 02/26/99
- Coast National/American Bankers Insurance
- Automobile

**WONG, HOWARD HO
MAN**

- DOB: 05/07/79
- Montebello, CA
- N/A
- 09/16/98
- Infinity Insurance
- Automobile

FEBRUARY 2001

BALTIERRA, VICKY

- DOB: 06/11/64
- El Monte, CA
- \$1,056,001.00
- 01/01/96
- State Compensation Insurance Fund
- Workers' Comp.

**BAZZARONI, KIMBERLY
ANN**

- DOB: 07/28/79
- San Diego, CA
- \$2,858.21
- 07/21/00
- USSA Insurance
- Automobile

**BERDEAUX, DARLENE
NANCY**

- DOB: 06/18/59
- Ventura, CA
- \$55,000.00
- 09/01/97
- Paula Insurance
- Workers' Comp.

CALDERON, JOSE

- DOB: 12/16/69
- Los Altos, CA
- \$8,407.00
- 02/23/98
- Various
- Workers' Comp.

COH, ALFREDO L.

- DOB: 05/15/56
- San Francisco, CA
- \$8,407.00
- 02/23/98
- Various
- Workers' Comp.

CORDOVA, LEILA N.

- DOB: 08/10/49
- Richmond, CA
- \$8,407.00
- 02/23/98
- Various
- Workers' Comp.

CRISOLOGO, CORA L.

- DOB: 08/06/63
- Daly City, CA
- \$8,407.00
- 02/23/98
- Various
- Workers' Comp.

DUPREE, JULES

- DOB: 11/10/66
- Compton, CA
- \$589.50
- 08/22/00
- Infinity Insurance
- Automobile

ESQUIVEL, SUSANA I.

- DOB: 06/25/47
- Daly City, CA
- \$8,407.00
- 02/23/98
- Various
- Workers' Comp.

GARZA, RAYMOND

- DOB: 07/17/53
- El Centro, CA
- \$13,814.38
- 11/06/97
- ESIS Insurance
- Workers' Comp.

HO, VAN VAY

- DOB: 11/04/83
- Sacramento, CA
- \$4,007.42
- 12/11/98
- CSAA
- Automobile

**HUBBARD, DERICK
GLENN**

- DOB: 08/23/67
- Los Angeles, CA
- \$36,000.00
- 09/30/00
- Budget Rent A Car
- Automobile

JAFARI, MORTEZA

- DOB: 02/07/55
- Sierra Madre, CA
- \$1,056,001.00
- 01/01/96
- State Compensation Insurance Fund
- Workers' Comp.

LEMON, JEFFREY

- DOB: 10/16/58
- Inglewood, CA
- \$30,000.00
- 01/12/01
- Continental Casualty Insurance
- Property & Casualty

LINARES, MARK JOSEPH

- DOB: 05/08/59
- St. Maur, France
- \$12,376.23
- 10/23/98
- Zenith Insurance
- Workers' Comp.

LO, MARY

- DOB: 11/04/83
- Sacramento, CA

- \$4,007.42
- 12/11/98
- CSAA
- Automobile

LO, MICKEY

- DOB: 12/11/73
- Sacramento, CA
- \$4,007.42
- 12/11/98
- CSAA
- Automobile

LO, SAY SOI

- DOB: 09/19/49
- Sacramento, CA
- \$4,007.42
- 12/11/98
- CSAA
- Automobile

LO, WANDA NGO

- DOB: 09/19/78
- Sacramento, CA
- \$4,007.42
- 12/11/98
- CSAA
- Automobile

LUNA, CORA N.

- DOB: 11/07/58
- San Francisco, CA
- \$8,407.00
- 02/23/98
- Various
- Workers' Comp.

MARIN, ANGEL

- DOB: 08/28/74
- San Diego, CA
- \$2,858.21
- 07/21/00
- USSA Insurance
- Automobile

MENESES, ROLANDO S.

- DOB: 08/08/48
- Daly City, CA
- \$8,407.00
- 02/23/98
- Various
- Workers' Comp.

MILLER, TIMOTHY PAUL

- DOB: 06/01/57
- Riverside, CA
- N/A
- N/A
- Various
- Workers' Comp.

MORALES, ALFREDO

- DOB: 12/08/63
- Huntington Park, CA
- N/A
- N/A
- N/A
- Workers' Comp.

PILON, JEFFREY RENE

- DOB: 02/25/60
- Oxnard, CA
- N/A
- N/A
- State Compensation Insurance Fund
- Workers' Comp.

**ROMERO, RUBEN
ALVAREZ**

- DOB: 06/18/67
- Baldwin Park, CA
- \$42,000.00
- 01/12/01
- Continental Casualty Insurance
- Property & Casualty

**SALUMBIDES,
EMMANUEL**

- DOB: 12/30/40
- San Francisco, CA
- \$8,407.00
- 02/23/98
- Various
- Workers' Comp.

STEPHENS, DELORIS

- DOB: 11/04/36
- Ontario, CA
- \$66,563.50
- 08/11/95
- United Financial Adjusting Company
- Automobile

TAVAKOULI, MOJHAN

- DOB: 09/27/63
- Sierra Madre, CA
- \$1,056,001.00
- 01/01/96
- State Compensation Insurance Fund
- Workers' Comp.

THOMPSON, JOHN MYLES

- DOB: 10/05/66
- Long Beach, CA
- \$30,000.00
- 02/22/01
- Lorenzo Rendon
- Automobile

WRIGHT, JAY NEAL

- DOB: 01/24/53
- Phoenix, AZ
- N/A
- N/A
- Various
- Workers' Comp.

WRIGHT, JAY NEAL II

- DOB: 10/01/19
- Phoenix, AZ
- N/A
- N/A
- Various
- Workers' Comp.

MARCH 2001

BANKS, NATHANIEL

- DOB: 12/08/67
- Oakley, CA
- \$2,180.00
- 01/10/01
- Safeco Insurance
- Automobile

Arrest List Legend

ARRESTEE NAME

- Date of Birth
- Place of Arrest
- Amount of Loss
- Date of Arrest
- Insurance Co. Name
- Program

N/A = Information not available

**CARTER, DARIN
ALEXANDER**

- DOB: 07/13/79
- Sacramento, CA
- N/A
- N/A
- N/A
- N/A

**CHATALBASHYAN,
DAVID**

- DOB: 08/19/75
- Glendale, CA
- N/A
- 03/31/00
- Western United Insurance
- Automobile

**CHATALBASHYAN,
KNARIK**

- DOB: 07/18/49
- Los Angeles, CA
- N/A
- 03/31/00
- Western United Insurance
- Automobile

DAVIS, JAMES MICHAEL

- DOB: 12/20/58
- Orange, CA
- N/A
- N/A
- N/A
- Automobile

**DAVIS, MICHAEL
SHERWOOD**

- DOB: 02/20/61
- El Sobrante, CA
- \$1,200.00
- 09/26/00
- AIG Insurance
- Workers' Comp.

DAOUD, ATOUR

- DOB: 05/17/99
- Modesto, CA
- N/A
- 02/25/99
- State Farm Insurance
- Automobile

Continued on page 10

DISTRICT ATTORNEYS SPEAK OUT

continued from page 2

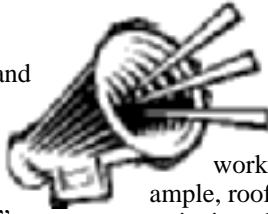
was \$1,534,321. Policies #2 and #3 were eventually canceled.

Two of the defendants then committed "experience modification (x-mod) evasion" by changing the company name to Robertson Construction and purchasing policy #4 for this "new" company with Golden Eagle. Nothing had changed in the company except for the name. Robertson Construction was able to avoid D.G. Incorporated's overdue bill and x-mod. In a six-month period between April 1996 and September 1996, Robertson Construction not only committed x-mod evasion, but also failed to report \$1,158,371 of payroll to Golden Eagle. Additionally, Robertson Construction falsely inflated workers' hourly rates to Golden Eagle in order to obtain lower rates.

In 1997, all three D.G. Construction defendants were convicted of felony premium fraud. Restitution in the amount of \$1.4 million was ordered to SCIF and Golden Eagle. One defendant received an eight-year prison term, stayed on condition he serve one year in jail, one year in work furlough and five years of probation. The second defendant received an eight-year prison term, stayed on condition she serve one year in jail and five years on probation. The third defendant was sentenced to three years in prison.

Lying to obtain workers' compensation insurance at less than the proper rate is a felony in California punishable up to five years in prison. Unscrupulous businesses with reduced costs underbid competitors and steal jobs from honest employers. Insurance carriers are victimized because they are not properly compensated for the risk they are insuring. The suspects are usually employers and bookkeepers.

Three fraudulent schemes are used to commit premium fraud. First, businesses may "Underreport payroll". For example, a \$500,000 payroll is reported as only \$100,000 to the carrier.



Second, businesses may "misclassify" their work or hourly rate. For example, roofers may be falsely classified as janitors because insurance rates are lower. Similarly, businesses may falsely state their carpenters earn \$21/hr. because the premiums are higher for carpenters making \$10/hr.

Third, premium fraud is committed by "x-mod evasion". Workers' compensation rates, like auto insurance rates, increase after many accidents and injuries. To avoid a rate surcharge or high x-mod, dishonest employers create a "new" company, in name only.

In 1994, John P. Massucco, Jr., Chief Prosecutor of San Diego's Insurance Fraud Division, originated the concept of a task force to prosecute premium fraud and related tax evasion. Thereafter, in 1996 prosecutor Dominic Dugo assembled the first premium fraud task force of its kind in California. This team consists of the California Department of Insurance, Employment Development Department, the Franchise Tax Board, the Labor Commission's Office, San Diego District Attorney's Office, and the State Contractor's Licensing Board.

In June of 1999, San Diego's Task Force obtained California's largest set of premium fraud indictments ever returned at one time. Twenty-one individuals from eight companies were indicted on premium fraud and/or tax evasion involving a theft of \$1.9 million. To date, six defendants have been convicted and the others are pending.

San Diego's Task Force is successful due to the commitment and efforts of the investigative and prosecutorial team. Communication and teamwork are the key ingredients that make this Task Force successful.

COMPUTER FORENSIC TEAM

continued from page 1

includes, among other things, current forensic software, external drives for storing computer forensic evidence, and portable forensic workstations that will allow computer forensic work to be accomplished on site during search warrants and seizures. The FSR also includes a request for training. In an effort to standardize the training received by all members of the Computer Forensic Team, four mandatory training courses for Computer Forensic Team members have been identified, in addition to four elective training courses available to limited members of the team. These training courses total almost \$25,000, bringing the grand total of the FSR to over \$279,000.

The FSR, if it is approved, will bring valuable equipment and training resources to the Computer Forensics Team. The recruitment of a full time supervisor for the team, however, will be the most important step in the Division's effort to reinvigorate its computer forensics effort. Branch executive management expect that this supervisor will review the existing members of the team and make additional appointments to offices that do not currently have team members. From that point on, the Computer Forensics Team Supervisor will have responsibility for directing and managing the flow of computer forensic work throughout the regional offices, including directing the time of Computer Forensics Team members in an effort not to disrupt the investigations on which these team members normally work. In addition, this supervisor will ensure that all team members receive standardized training before they embark upon any computer forensic work.

This FSR and the Division's renewed commitment to building a Computer Forensic Team that can effectively handle the needs of its investigations will ensure that the Criminal Investigation Branch's Fraud Division remains at the forefront of this new and very important element of investigations in the electronic age.



CDI PROFILE

Fifteen New Fraud Investigators Excel In The Millennium

by Kerri L. Arndt
Assistant Training Coordinator
California Department of Insurance
Criminal Investigations Branch, Fraud
Division

As we embark upon the new millennium, the Criminal Investigations Branch has placed the mark of approval upon fifteen new Fraud Investigators. Each new Fraud Investigator is required to complete the Fraud Division Basic Investigator Course (BIC), which is one segment of the yearlong training that each new Fraud Investigator receives. The BIC consists of several modules designed to teach policy, procedures, basic steps of case investigation, interview and interrogation, field operations, legal issues and weapons qualification. In addition, new Fraud Investigators learn about the elements of working cases in each of the following programs: Workers' Compensation, Property and Casualty, Automobile Fraud and Staged Automobile Fraud. In 2000, the following seven Fraud Investigators graduated from the BIC:

Eric Charlick
Veronica Cornejo
Alicia Daniel
Richard Edmonson
Brian Farnsworth
Christine Kinney
Jason Tsui

The 42 remaining graduates of the 2000 BIC have previous law enforcement experience in criminal investigation assignments, as well as former employment with other government agencies. They each met the requirements as set forth by the California Peace Officer Standards and Training (POST) to become a Fraud Investigator.

Prior to employment with the Department, our seven new Fraud Investigators were neither POST-certified, nor had they any previous law enforcement background. Each scored exceptionally well on the Fraud Investigator Exam, which tested their ability to: write effective reports; follow interview and investigative procedures; apply laws of



search, seizure, arrest and evidence; relate provisions of the California Penal Code, California Insurance Code and related statutes in Federal law; and analyze investigative material. Based upon their success on the exam and the oral interview, they were each given the stamp of approval to be hired as Fraud Investigators.

The next hurdle our new Fraud Investigators had to overcome was the training necessary to become POST-certified. POST certification is necessary to attain peace officer status in the State of California. This POST-certified training, the Specialized Investigator Basic Course (SIBC), consists of a 16-week intensive course covering criminal law, criminal statutes, laws of arrest and presentation of evidence. In addition, the curriculum also includes arrest and control tactics, first aid and CPR, and weapons qualifications.

As 2001 gets underway, we anticipate hiring additional Fraud Investigators to our already highly qualified staff. The following Fraud Investigators are at the forefront of our training program, and are anticipated to complete the BIC and/or the SIBC this year:

Shawn Conner
Kathleen Harris
David Isnor
George (Bill) Jenkins
Sylvia Keroles
Fausto (Pat) LaSola
Mark Saiki
Natalya Vayn

The Fraud Division is proud of all its dedicated and enthusiastic recruits, and we recognize and commend the additional initiative and ambition that our 15 new Fraud Investigators have displayed to attain their new career as peace officers and Fraud Investigators.

SAN JOSE COUPLE
continued from page 3

ments, the Morgans illegally sold their leased vehicles, stole the identities of distant family members, and fled to the Caribbean taking their children, a Nanny, and the family dog.

Prior to the Morgan's flight, a printed computerized list of instructions was given to other family members, which described the movement of their assets. The computer used in capturing the information was intentionally reformatted to discard any evidence. When the forensics team examined the computer, evidence of the Morgans' intent was recovered. This evidence was used to obtain a criminal conspiracy conviction against Kimberly Morgan's father.

After fleeing the U.S., and arriving in St. Lucia on a visitor's Visa using stolen identities, St. Vincent Officials asked the Morgans for their intended place of stay. They replied, "the Morgan Bay Resort" (based upon a sign in the airport lobby.) Once the Morgans took residence in St. Lucia, they returned to their lavish lifestyle and started an Internet and Import business.

Upon returning to the U.S. for trial, Kimberly Morgan continued to insist that she had no knowledge of the thefts or other illegal activity committed by her husband until June 1999. However, a review of evidence and documents seized during the investigation found proof that at minimum, Kimberly Morgan was well aware of the crimes committed within ISU several months earlier.

Early this year, the Morgans entered into a plea bargain arrangement prior to their preliminary hearing wherein Robert Morgan accepted a ten-year prison sentence; Kimberly accepted an 18-month prison sentence. Several millions of dollars were ordered in restitution.

This investigation resulted in a swift application of justice because of the technical abilities and professional cooperation between the CDI, the District Attorney Investigators and the District Attorney Prosecutors.

BUSTED!

continued from page 7

MARCH 2001 cont.

DLOBIK, MELISSA

- DOB: 09/07/76
- San Leandro, CA
- \$5,714.12
- 11/10/99
- California State Automobile Association
- Automobile

FARBER, ANTHONY

- DOB: 11/18/46
- Huntington Valley, PA
- N/A
- N/A
- N/A
- Automobile

FERGUSON, JEFFREY RANDOLPH

- DOB: 11/02/59
- Sonora, CA
- N/A
- N/A
- N/A
- Automobile

GREEN, GLENN

- DOB: 08/17/42
- Bakersfield, CA
- \$2,000.00
- 10/08/99
- Southern California Risk Mgmt.
- Workers' Comp.

HALANGAHU, LAUFUTU HILDA

- DOB: 08/20/58
- Oakland, CA
- N/A
- 04/06/99
- American National Insurance
- Property & Casualty

HIGAREDA, MARITZA

- DOB: 07/23/60
- Livingston, CA
- \$16,729.68
- 02/10/99
- Foster Farms Insurance
- Workers' Comp.

KARAPETYAN, AIDA

- DOB: 06/03/75
- Glendale, CA
- N/A
- 03/31/00
- Western United Insurance
- Automobile

KENDRICK, L. K. JUNIE

- DOB: 01/22/45
- Bakersfield, CA
- \$33,000.00
- 07/28/98
- State Compensation Insurance Fund
- Workers' Comp.

KRIVITSKY, KRISTINA

- DOB: 10/10/73
- Marina Del Rey, CA
- N/A
- N/A
- N/A
- Automobile

LAWSON-NUNEZ, SANDRA LYNN

- DOB: 07/04/44
- Fair Oaks, CA
- \$88,861.16
- 01/01/96
- State Compensation Insurance Fund
- Workers' Comp.

LENOX, LILLIE ANN

- DOB: 12/11/47
- Sacramento, CA
- N/A
- N/A
- N/A
- Property & Casualty

LOPEZ, JUAN MANUAL

- DOB: 11/09/82
- Pico Rivera, CA
- \$55,000.00
- 12/30/00
- Budget Rental Car
- Automobile

MANALASAY, GIL MENDOZA

- DOB: 04/15/57
- Panorama City, CA
- \$8,404.95
- 01/19/99
- Zurich US
- Workers' Comp.

MENDOZA, ESTEBAN

- DOB: 02/08/69
- Los Angeles, CA
- N/A
- N/A
- N/A
- Workers' Compensation

MENDOZA, FACUNDO A

- DOB: 09/13/70
- Los Angeles, CA
- N/A

- N/A
- N/A
- Automobile

MORENO, PABLO CRISTOBAL

- DOB: 11/17/76
- Montebello, CA
- N/A
- 03/31/00
- Western United Insurance
- Automobile

MORISSETTE, BRADLEY RAYMOND

- DOB: 02/19/53
- Newport Beach, CA
- N/A
- N/A
- N/A
- Automobile

NUNEZ, RAYMOND

- DOB: 01/11/47
- Fair Oaks, CA
- \$88,861.16
- 01/01/96
- State Compensation Insurance Fund
- Workers' Comp.

OCAMPO, FEDERICO

- DOB: 03/02/48
- Torrance, CA
- N/A
- N/A
- N/A
- Workers' Compensation

OCAMPO, MERCEDES

- DOB: 03/02/46
- Torrance, CA
- N/A
- N/A
- N/A
- Workers' Comp.

OCAMPO, OLGA

- DOB: 11/12/76
- Torrance, CA
- N/A
- N/A
- N/A
- Workers' Compensation

PALMER, TERRILL VANCE

- DOB: 04/20/54
- Los Angeles, CA
- \$27,623.51
- 01/15/97
- ITT Specialty Risk Services Inc.
- Workers' Comp.

PARKER, TERRY LAWRENCE

- DOB: 09/05/64
- Woodland, CA
- N/A
- 06/21/00
- State Farm Insurance
- Property & Casualty

PEPPER, MARLON LEE

- DOB: 10/3/69
- Phoenix, AZ
- \$33,201.38
- 04/11/98
- California Indemnity Insurance
- Workers' Comp.

SHIMCHUK, ALEC

- DOB: 10/10/66
- Bensalem, PA
- N/A
- N/A
- N/A
- Automobile

TENBORG, GERALD DUANE

- DOB: 06/24/58
- Pleasanton, CA
- N/A
- 03/24/00
- Mercury Insurance
- Automobile

TOMAZ, ALEXANDRE J

- DOB: 05/30/75
- San Leandro, CA
- \$5,714.12
- 11/10/99
- California State Automobile Association
- Automobile

VAN KOVN, ALEX

- DOB: 05/17/60
- Van Nuys, CA
- N/A
- N/A
- N/A
- Automobile

YOUNG, EDWARD REYES

- DOB: 11/25/67
- Stockton, CA
- \$6,725.41
- 04/26/97
- Allstate Insurance
- Automobile

NEWLY FORMED CRIMINAL INVESTIGATIONS BRANCH continued from page 1

means they do not possess peace officer status. Each investigator within the Branch maintains high standards of job performance in accordance with the California Insurance Code.

The consolidation also brings together the support staff. The group of managers, analysts, auditors, office technicians, etc., offer a wide variety of skills that handle the everyday administrative functions of an organization. This provides the newly formed

Criminal Investigations Branch the opportunity to combine their duties under one roof and to build an infrastructure to support the Branch mission.

Deputy Commissioner Dick Ross, Assistant Deputy Commissioner Dale Banda, and Chief Investigator James Harrington serve as the executive management staff for the Criminal Investigations Branch.

Baker to Vegas Challenge Cup Relay

by Patrick Lambey
Supervising Fraud Investigator I
Orange Regional Office

The Baker to Vegas Challenge Cup Relay began in 1985 as a race for police officers to improve their physical conditioning. The race has evolved to include 200 teams consisting of law enforcement



personnel from as far away as Australia. Each official team consisted of 20 runners and in the case of the Fraud Division, two additional alternate runners. The Division was fortunate to enlist the assistance of 22 individuals who served in a support capacity. This highly competitive event is the "Super Bowl," of law enforcement. Participants included teams from federal, state, county, and city law enforcement agencies. These agencies take great pride in their personnel participation in this highly competitive and challenging event.

The purpose of this highly competitive event is to promote camaraderie, physical fitness, pride, and teamwork throughout a broad spectrum of law enforcement personnel. The grueling, nonstop competition demonstrates the need for superior physical fitness and teamwork. It also presents a unique and more positive view of law enforcement to the public we serve.

(Challenge Cup Relay Rulebook)

On April 7, 2001, the Department of Insurance, Criminal Investigations Branch (CIB) entered and successfully competed in the 17th annual Baker to Vegas Challenge Cup Relay. For the second consecutive year, the Department entered this challenging event without the benefit of joining forces with other Law Enforcement Agencies. The CIB is proud to continue to hire, train, and retain motivated employees, which is partly evidenced by their quest to positively promote their Department in the annual Baker to Vegas Challenge Cup Relay. It is the employee's flexibility, patience, and dedication that has prompted the CIB into making this event an annual pilgrimage. This year, there were over 20,000 people involved in the event.

The level of dedication is remarkable given the fact that members of the CIB utilized their personal time and resources to be a part of the Challenge Cup Relay. Runners and volunteers showed remarkable patience in handling unplanned changes and uncertainties. The 2001

Challenge Cup Relay started in Baker, California at 1800 hours on April 7, 2001. The CIB team crossed the finish line in Las Vegas after a grueling 120 mile run through the desert at 1230 hours on April 8, 2001. This year, the CIB's runner's efforts reflected a marked level of improvement by finishing the race one hour earlier than the previous year.



Baker to Vegas Challenge Cup Relay finish line is across from the MGM Grand Hotel & Casino in Las Vegas, Nevada.

A large number of personnel from the Fraud Division Regional offices throughout the state were present. Below is a list of departmental personnel and their family members who have made and continue to make CIBs participation in the Challenge Cup Relay a reality:

Kathy Abrego, Guillermo Auyon, Sam Abrego, Joaquin Bassauri, Eric Charlick, Les Coil, Laurie Colwell, Shawn Curtis, Mrs. Susan Curtis, Kendall Dixon, Earl Door, Jeffiner Doss, Freddy Gamboa, David Goldberg, Leilani Gius, Brad Hawk, Elaine Hudson, Howard Hughie, Dan Koenigsberger, Cecilia Laija, Patrick Lambey, Frank Lincoln, Debbie McKeenan, Aaron McKenzie, Mark Palmer, Laureen Pedroza, Luis Peraza, Twana Thompson-Wallace, Tom Perez, Randy Richardson, Tom Sarinana, Brian Schirka, Mr. Charles Scholz, Kathy Scholz, Bob Sierra, Christine Smith, Gary Smith, Roxanne Staff, John Standish, Aaron Tassin, Cora Tassin, Pam Taylor, Tony Torres, William Westermann, Karen Walsh, Eric Weirich, John Weldon.



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